

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

MINE DESIGN D/B/A/ OF AMAL FLORES (U.S.),

Opposer,

v.

VOTIVO, LTD., a Washington corporation,

Applicant,

VOTIVO, LLC, a South Carolina Limited
Liability Company,

Defendant

APPLICANT'S AND DEFENDANT'S REPLY
MEMORANDUM IN SUPPORT OF CROSS-
MOTION FOR SUMMARY JUDGMENT

Opposition No. 91178747

76/613,881

Introduction.

Mine Design has failed, in opposing VOTIVO's cross-motion for summary judgment, to demonstrate that it has standing to oppose the mark. Mine Design does not provide a legal basis (nor any material facts) to justify why it does not continue to be, *permanently enjoined* by the United States District Court (Central District of California) from using the mark MANDARINE:

IT IS HEREBY ORDERED, ADJUDGED AND DECREED AS FOLLOWS:

1. *Defendant... and attorneys... are hereby permanently enjoined and restrained from:*

* * *

d. *Using any of the terms set forth on Exhibit "A" hereto, each of which is a subject of a United States trademark registration owned by VOTIVO, or any other term, symbol, trademark, service mark, domain name, trade name, or corporate or other entity name that is confusingly or substantially similar to the terms listed on Exhibit "A", in connection with candles and tapers, burning sticks and incense, scented room sprays, scented skin soaps, scented body sprays, and any other scented products for household or personal care use.*

As a matter of law, Mine Design (1) lacks any "real interest" in the proceedings, and (2) lacks a reasonable basis for the belief of damage. Indeed, Mine Design is the proverbial "intermeddler" that must be dismissed because it does not raise "a real controversy." See Ritchie v. Simpson, 170 F.3d 1092, 50 USPQ 1023, 1025 (Fed. Cir. 1999). This conclusion is also directly supported by two important decisions handed down within the past three weeks



(discussed below): Nasalok Coating v. Nylok, Cancellation No. 92/045, 050, (Fed. Cir., April 14, 2008); and Daimler Chrysler Corp. v. Maydak, Opp. No. 91153172, at p. 12-13 (April 4, 2008).

A. Permanent Injunction prevents use of the MANDARINE mark.

Mine Design offers a contorted “interpretation” of the Federal court’s Permanent Injunction to argue that it is not enjoined from “using” the “term” MANDARINE.

However, Mine Design admits that the Permanent Injunction precludes Mine Design from “*Using any of the terms set forth on Exhibit “A” hereto . . .*,” and that Exhibit A includes the term MANDARINE. Mine Design’s Combined Reply and Opposition, p. 15; See Edmiston Decl., Ex. 4 (Permanent Injunction, §1.d.) Mine Design never explains why it has not sought relief from the Federal court Permanent Injunction; it instead simply engages in forum shopping, requesting that the TTAB narrow the scope of the plain language of Permanent Injunction. Specifically, Mine Design first argues, contrary to the plain language of the Permanent Injunction, that it should allowed to use MANDARINE if the use is “non-infringing,” based upon language Mine Design “borrows” from the Judgment. Mine Design provides no basis to support this contention (other than wishful thinking spun as “interpretation”). The Permanent Injunction is not ambiguous and requires no interpretation. Even if this interpretation were appropriate, Mine Design ignores the obvious; it is the very *breadth* of the Permanent Injunction’s language (prohibiting Mine Design’s use of *any term*) that is designed to assure that the potential for *infringement* by Mine Design is eliminated.

Mine Design next argues that the Settlement Agreement, which led to a dismissal of *only* the Mine Design I Appeal and Mine Design II, somehow narrows the plain language of the Permanent Injunction (which it *did not* dismiss). This contention is based upon the Settlement Agreement’s requirement that Mine Design not *use* any of the trademarks set forth in the Permanent Injunction, and that Mine Design “will not, directly or indirectly, initiate any proceeding challenging the protectability or validity of the VOTIVO Registrations.” Mine Design’s Combined Reply and Opposition, p. 16-17. Again, Mine Design provides no authority

supporting its self-serving argument, and ignores the simple fact that the Settlement Agreement expressly *does not* effectively dissolve the injunction or otherwise modify its terms. Clearly, had it been the parties' intent, they could have addressed, within the terms of the Settlement Agreement, action to be taken before the Federal court with regard to modifying or lifting the Permanent Injunction. It is undisputed that they did not. Further, Mine Design again disregards reality; the Settlement Agreement simply does not suggest any intent to narrow the scope of the Permanent Injunction. Again, it is the very *breadth* of the language in the Permanent Injunction that is designed to assure that the potential for *infringement* by Mine Design, is eliminated.

Mine Design's overall strategy appears to be a circular argument that (based upon its "interpretation") because Mine Design may "use" the term MANDARINE if the terms *are not trademarks*; and that because it now believes the trademarks are generic; it has standing to oppose the present registration. In other words, while the Permanent Injunction clearly precludes Mine Design from using the term MANDARINE, it can collaterally attack VOTIVO's trademarks in another forum to circumvent the plain language of the Permanent Injunction. Mine Design's reasoning is patently inconsistent with the plain language of the Permanent Injunction.

Mine Design cites DeWalt, Inc. v. Magna Power Tool Corp., 129 U.S.P.Q. 275, 280-81 (CCPA 1961), as the only case supporting its core theory that it has established standing. However, Mine Design ignores that DeWalt did not address the situation where the opposer has been permanently enjoined from using the mark at issue; was decided in 1961, long before the case law developed on the subject of standing; and ignores that any "presumption" can be rebutted (as in the instant case, as a result of the prior litigation and the entry of the Permanent Injunction).

Just three weeks ago, in a case with nearly identical facts, the TTAB granted summary judgment based upon application of the terms of a permanent injunction previously entered by a federal district court:

[T]o the extent that a civil action in a Federal district court involves issues in common with those in a proceeding before the Board, the decision... is typically binding upon the Board, while the decision of the Board is not binding upon the court. See TBMP §510.02(a) (2d ed. rev. 2004). Moreover, any final determination made by the Board is appealable to Federal district court, including to the district in which the civil action between the parties took place. See Trademark Act §21(b); Trademark Rule 2.145(c); and TBMP §901 (2d ed. rev. 2004). Thus, in this case, *it is incumbent upon the Board to give deference to the determinations of the court, including the remedy entered therein, and consider the terms of the permanent injunction.*

Daimler Chrysler Corp. v. Maydak, Opp. No. 91153172, at p. 12-13 (April 4, 2008)

(emphasis supplied; copy attached). The Board concluded that the Federal court permanent injunction was, as a matter of law, dispositive: “because the injunction permanently prohibits applicant from using...the mark, it is a legal impossibility for applicant to obtain registration.”

Id. Similarly, due to the Permanent Injunction entered in Mine Design I, it is a legal impossibility for Mine Design to demonstrate standing to oppose Votivo’s registration of the term MANDARINE in connection with any scented products for personal or home care use, which includes scented bath salts and hand lotion. Mine Design has no real interest in the proceedings, and no belief of damage.

B. Res Judicata doctrines of claim and issue preclusion prohibit Mine Design’s collateral attack.

The doctrines of claim and issue preclusion are appropriate for summary judgment because if a matter has been previously determined, there remains no triable issue of fact or law. McCarthy on Trademarks and Unfair Competition § 32:87; Robi v. Five Platters, Inc., 838 F.2d 318, 321 (9th Cir. 1988), appeal after remand, 918 F.2d 1439, 16 USPQ2d 2015 (9th Cir. 1990). Mine Design’s attempts to avoid application of the res judicata doctrines of claim and issue preclusion are based upon the incredible premise that MANDARINE was not at issue nor litigated in the prior federal actions: “Votivo has presented no evidence to support its allegation that the claims herein were part of the prior litigations.” Mine Design Combined Reply and Opposition, p. 20. The use of the term MANDARINE is, without dispute, included within Exhibit A of the Permanent Injunction. Further, the terms of the Permanent Injunction clearly apply to the use of

MANDARINE in connection with scented bath salts and hand lotion. It is difficult to imagine a broader statement from the federal court intending to preclude Mine Design's use of the mark MANDARINE than in connection with "*any other scented products for household or personal care use.*"

Under facts virtually identical to the present case, one week ago the Federal Circuit upheld a summary dismissal of an action before the TTAB, applying claim preclusion to prevent a collateral attack on a prior default judgment and injunction entered by a federal district court. Nasalok Coating v. Nylok, Cancellation No. 92/045, 050, (Fed. Cir., April 14, 2008, copy attached). The parallels to the present case are striking. In Nasalok, the former defendant tried to avoid application of a permanent injunction and default judgment by arguing that the prior judgment was not clear about *which* of several trademarks in the federal action had been infringed, and did not expressly specify the mark subsequently challenged in the petition to cancel. The Federal Circuit stated the obvious: that success in the cancellation proceeding would negate the relief secured in the federal infringement proceeding. Id. at p. 16. The Federal Circuit determined that "defendant preclusion" applied, and would not allow the former federal court defendant to undermine a previous judgment with a subsequent USPTO proceeding; such a result would undermine the permanent injunction and thus "would constitute a collateral attack on the district court's judgment." Id. at 17. Contrary to Mine Design's arguments in the present case, the Nasalok Court rejected the argument that preclusion should not apply because the injunction resulted from a default judgment.

It is well established that '[a] default judgment can operate as res judicata in appropriate circumstances.' Sharp, 448 F.3d at 1371; see also Morris v. Jones, 329 U.S. 545, 550-51 (1947); Riehle v. Margolies, 279 U.S. 218, 225 (1929); Int'l Nutrition Co. v. Horphag Research, Ltd., 220 F.3d 1325, 1328 (Fed. Cir. 2000) ("Contrary to INC's argument, default judgments can give rise to res judicata.").

Id. Mine Design provides no authority remotely close to the facts in the present case, or the facts (and analysis) of Nasalok.

C. Standing cannot be waived in Opposition proceeding.

As a general proposition, standing is jurisdictional. It is well-established that any party, and even the court *sua sponte*, can raise the issue of standing for the first time at any stage of the litigation, including on appeal.¹ While the Lanham Act has its own, unique standing requirements, Mine Design has not cited authority supporting its proposition that the requirement of standing for an opposition proceeding can be waived. In Ritchie v. Simpson, the Court outlined both the statutory and additional judicial requirements:

Section 13 of the Lanham Act establishes a broad class of persons who are proper opposers; by its terms the statute only requires that a person have a belief that he would suffer some kind of damage if the mark is registered. However, in addition to meeting the broad requirements of § 13, an opposer must meet two judicially-created requirements in order to have standing-the opposer must have a “real interest” in the proceedings and must have a “reasonable” basis for his belief of damage.

Ritchie, *supra*, at 1095. Mine Design simply ignores these standing requirements, and is the quintessential “mere intermeddler” who does “not raise a real controversy from bringing oppositions... in the PTO.” *Id.* See also Lipton Industries, Inc. v. Ralston Purina Co., 670 F.2d 1024, 213 U.S.P.Q. 185 (C.C.P.A. 1982) (purpose of standing to weed out “intermeddlers” from those with “a personal interest in the outcome beyond that of the general public”); 3 McCarthy on Trademarks and Unfair Competition, Sec 20:10 (“Intermeddlers” with no “personal interest in the outcome beyond that of the general public” do not have standing and must be “weeded out”).²

¹ Pandrol USA, LP v. Airboss Ry. Prods., Inc. 320 F.3d 1354 (Fed.Cir. 2003) (internal citation omitted); Warth v. Seldin, 422 U.S. 490, 517-18, 95 S.Ct. 2197, 45 L.Ed.2d 343 (1975); Rite-Hite Corp. v. Kelley Co., 56 F.3d 1538, 1551 (Fed.Cir.1995) (en banc) (question of standing to sue is a jurisdictional).

² Mine Design’s argument that the authority referenced by VOTIVO on standing does not apply because the term MANDARINE is allegedly generic is specious. Without regard to the specific *basis* for an opposition under 15 U.S.C. §1052 (whether 2(a) or 2(e)), the statute governing the determination for standing for an opposition, 15 U.S.C. §1063, applies. Mine Design’s own Complaint acknowledges this point: “pursuant to 15 U.S.C. §1063 [Mine] opposes Votivo, Ltd.’s Application Serial No. 76/613881 for the term “mandarine” in connection with aromatic bath salts and hand lotion products.” Mine Design Notice of Opposition, p. 3. The only authority provided by Mine Design in fact

D. Even if standing *could* be waived, there are no facts supporting application of a waiver in the present case.

Mine Design again provides no authority supporting its theory. that the issue of standing has been waived because it was “not raised in VOTIVO’s Answer.” In addition, Mine Design’s theory ignores the procedural history of this case, which demonstrate that Mine Design’s waiver theory is inapplicable.

Mine Design served its present summary judgment motion upon VOTIVO, Ltd., on January 20, 2008. At that time, VOTIVO LLC, the successor to the Applicant, had not been joined as a defendant in this Opposition. Mine Design did not file the summary judgment until over two weeks later, on February 6, 2008. Proceedings were suspended on February 7, 2008. VOTIVO LLC was joined as a party the next day. Faced with the pending summary judgment motion and suspension of proceedings unrelated to said motion, VOTIVO, LLC opposed the summary judgment and cross-moved for summary judgment. This is the correct procedure pursuant to Fed.R.Civ.P. 12(b)(6), which provides for such motions *before* filing a responsive pleading and specifically provides for seeking such relief in lieu of filing an Answer. Rule 12(d) provides for conversion of the motion is converted to summary judgment, because evidence outside of the pleadings has been provided to support the cross-motion. This process is also set forth in TBMP §3:44: “if the motion is decided in such a manner that the proceedings are to continue, the Board will, in its ruling, reset the time for answering.” Mine Design’s waiver argument that the question of standing is a red herring, legally, factually, and procedurally.

E. Mine Design’s “genericness” argument is not a basis for denying VOTIVO’s cross-motion for summary judgment.

supports application of the standing requirements asserted by VOTIVO; TBMP 309.03(b), footnote nos. 116-119, directly references Ritchie for the proposition that an opposer must have both a real interest in the proceedings and a reasonable basis for his belief in damage. An intermeddler is an intermeddler, no matter his statutory foundation for his opposition.

Mine Design repeatedly asserts VOTIVO's cross-motion should be denied based upon the "merits" of Mine Design's argument that MANDARINE is generic. Mine Design puts great stock in the case A.J. Canfield Co. v. Honickman, 1 U.S.P.Q2d 1364 (3d Cir. 1986), but the reliance is misplaced.³ The holding in Canfield is more nuanced than what Opposer has presented: "(i)f a producer introduces a product that differs from an established product class in a particular characteristic, and uses a common descriptive term of that characteristic as the name of the product, then the product *should be considered* its own genus." Canfield, pp. 305-306 (emphasis added). The operative phrase is "should be considered," not "becomes," as Opposer would have the court believe. The Canfield court, however, went on: "Whether the term that identifies the product is generic then depends on the competitors' need to use it. At the least, *if no commonly used alternative effectively communicates the same functional information, the term that denotes the product is generic.*" Id. at 306 (emphasis added). Thus, even if Canfield is applied to this case, (1) if scented bath salts or hand lotion is a product which is functionally different from unscented bath salts or hand lotion, and the scented goods use the term MANDARINE, the term might be considered generic, *but only if* (2) no alternative term is available to competitors which "effectively communicates the same functional information." Id. at 306. If Canfield is the pillar for Opposer's summary judgment motion, Mine Design's the motion should be denied.

Mine Design has failed to present a scintilla of evidence that scented bath salts are an established product class, and thus, a genus of goods. In the US Acceptable Identification of Goods and Services Manual (9th Ed.) bath salts have two classifications: general, non-medicated bath salts in International Class 003, and medicated bath salts in International Class 005. Likewise, hand lotion is either classified as hand lotion in IC 003, or anti-bacterial hand lotion in

³ In addition, Canfield, an appellate review of a trial court's denial of a preliminary injunction (requiring an analysis of the "likelihood of success on the merits") is procedurally a polar opposite from the present case (Mine Design's summary judgment motion, where all facts and inferences must be drawn in VOTIVO's favor).

IC 005. Assuming *arguendo*, that scented bath salts or scented hand lotion is the pertinent genus, Mine Design has not proved that the term MANDARINE as applied to scented bath salts or hand lotion is so commonly descriptive of those products that the term should be considered generic. Opposer's own evidence shows the term is subject to different usages; with its most common usage denoting a person, not a fruit. See Declaration of Candeloro, Ex. 1.

Next, even if "mandarine" is a common descriptive for orange-scented bath salts or hand lotion, Canfield requires that competitors must have a "commonly used alternative" which communicates the same functional information, namely that this bath salt or hand lotion is citrus-scented, or just plain fruit-scented. Mine Design's own evidence demonstrates that bath salt companies routinely refer to "fruit," "citrus" and "orange" to describe the scents used with their products (*none* of them use mandarin).

RELIEF REQUESTED

WHEREFORE, VOTIVO requests that VOTIVO's cross-motion for summary judgment be granted and Mine Design's Opposition be dismissed with prejudice.

Respectfully Submitted,

DATED: March 21, 2008.

INVICTA LAW GROUP, PLLC

By Charles P. Siner

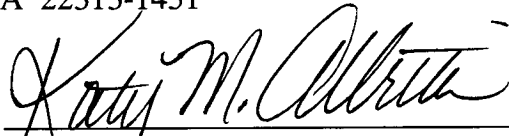
Mark V. Jordan, WSBA No. 18461
Steven W. Edmiston, WSBA No. 17136
Charles P. Siner, WSBA No. 21427
Heather Morado, WSBA No. 35135
1000 Second Ave., Suite 3310
Seattle, Washington 98104-1019
Attorneys for Applicant

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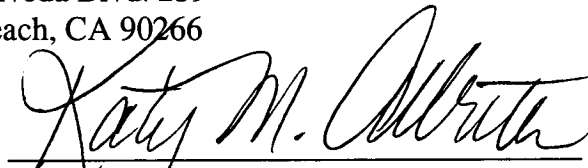
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Mr. Carlos Candeloro
1601 N. Sepulveda Blvd. 239
Manhattan Beach, CA 90266


Katy M. Albritton

**THIS OPINION IS A
PRECEDENT OF THE TTAB**

**UNITED STATES PATENT AND TRADEMARK OFFICE
Trademark Trial and Appeal Board
P.O. Box 1451
Alexandria, VA 22313-1451**

BUTLER

Mailed: April 4, 2008

Opposition No. 91153172

DAIMLER CHRYSLER CORPORATION

v.

KEITH MAYDAK

**Before Quinn, Rogers and Cataldo, Administrative Trademark
Judges.**

By the Board:

Applicant seeks to register the mark FORADODGE for "consulting services and providing information in the fields of privacy, avoiding legal problems, obtaining government records, correcting government records, and counterintelligence."¹

As grounds for the opposition, opposer alleges that applicant's mark, when used on the recited services, so resembles opposer's previously used and registered marks DODGE, DODGE RAM and DODGE and design for, *inter alia*, automobiles and automotive goods and services, as to be likely to cause confusion, mistake or to deceive.² Opposer also alleges likelihood of confusion with its previously used 4ADODGE "designation," used in a website

¹ Application Serial No. 76274100, filed on June 15, 2002, claiming a date of first use anywhere of December 26, 1996 and a date of first use in commerce of January 1, 1997.

² Opposer pleads ownership of Registration Nos. 364669; 569431; 1169189; 1189233; 1409844; and 1762717.

thus suggesting that the signature on the cover page is acceptable. Applicant argues that he did serve his response on opposer and, because opposer may obtain the response on-line, the "failure of the Postal Service to deliver the document was harmless." Applicant admits that his response was filed late, explaining that he attempted to file it on April 7, 2007 but received an error message. Applicant argues that the Board should consider his response because any miscalculation was "a harmless error."

Trademark Rule 2.193(c)(1)(iii) provides as follows:

Where an electronically transmitted trademark filing is permitted or required, the person who signs the filing must either:

- (A) Place a symbol comprised of numbers and/or letters between two forward slash marks in the signature block on the electronic submission; or
- (B) Sign the verified statement using some other form of electronic signature specified by the Director.

In this case, applicant used a symbol between the forward slash marks, "/s/," followed by his name. This qualifies as a signature under the Rule. See also *PPG Industries, Inc. v. Guardian Industries Corp.*, 73 USPQ2d 1926 (TTAB 2005) ("... when a paper is filed via ESTTA, it must be signed in conformance with Rule 2.193(c)(1)(iii). As a practical matter, ESTTA will allow the filing party to complete the submission process only after the required electronic signature has been entered."). As to opposer's non-receipt of its service copy, though unfortunate, there is no evidence that applicant actually did not serve a copy

Recommendation ("Rpt. & Rec."), dated April 8, 2002, as the findings and conclusions of the court. However, the court noted that the plaintiff's remaining claims were still pending and therefore did not enter a final judgment in favor of the plaintiff.

After prevailing on the summary judgment motion regarding its ACPA claim, the plaintiff sought a remedy and final judgment by moving for a permanent injunction, for dismissal without prejudice of its remaining claims, and for transfer of the domain name in the court register. On June 19, 2003, the court accepted the magistrate judge's Report and Recommendation on the motion for permanent injunction and final judgment, dated May 23, 2003, as the findings and conclusions of the court.⁵ The court then granted the permanent injunction and entered a final judgment in favor of plaintiff. In doing so, the court also granted plaintiff's motions for voluntary dismissal without prejudice of its remaining claims and for transfer of the domain name. The court also dismissed defendants' counterclaim (brought against plaintiff for abuse of process). The order permanently enjoining defendants for violation of the ACPA was entered by the court on July 29, 2003. The permanent injunction is discussed in more detail later in this order.

⁵ In support of its summary judgment motion in this opposition, opposer introduced the magistrate judge's findings and conclusions, articulated in the Rpts. & Recs., with respect to the summary judgment determination (dated April 8, 2002) and with respect to the imposition of the permanent injunction and remaining matters (dated May 23, 2003).

owned by opposer. Consequently, for purposes of this motion for summary judgment, priority is not in issue with respect to such marks. See *King Candy Co. v. Eunice King's Kitchen, Inc.*, 496 F.2d 1400, 182 USPQ 108, 110 (CCPA 1974).

In response, applicant argues that opposer is not entitled to summary judgment because opposer withdrew its trademark claims and the court only adjudicated rights in the internet domain names. Applicant argues that the elements considered under the ACPA claim have no correlation to the elements of a trademark action, pointing out that in the court case there was no consideration of the products involved. Applicant argues that the court never addressed whether the term *www.4adodge.com*, as used by opposer, constituted a trademark. Applicant also contends that there is no evidence of how applicant's use of his mark will interfere with opposer's use of its mark for automobile parts.

On a motion for summary judgment, the moving party has the burden of establishing the absence of any genuine issue of material fact and that it is entitled to judgment as a matter of law. See Fed. R. Civ. P. 56. A genuine dispute with respect to a material fact exists if sufficient evidence is presented that a reasonable fact finder could decide the question in favor of the non-moving party. See *Opryland USA Inc. v. Great American Music Show, Inc.*, 970 F.2d 847, 23 USPQ2d 1471 (Fed. Cir. 1992). Thus, all doubts as to whether any particular factual issues are genuinely in dispute must be resolved in the light most favorable

- (1) identity of issues in a prior proceeding;
- (2) the issues were actually litigated;
- (3) the determination of the issues was necessary to the resulting judgment; and
- (4) the party defending against preclusion had a full and fair opportunity to litigate the issues.

See *Mayer/Berkshire Corp. v. Berkshire Fashions Inc.*, 424 F.3d 1229, 76 USPQ2d 1310 (Fed. Cir. 2005); *Jet Inc. v. Sewage Aeration Systems*, 223 F.3d 1360, 55 USPQ2d 1854 (Fed. Cir. 2000); and *Larami Corp. v. Talk To Me Programs Inc.*, 36 USPQ2d 1840, 1843-1844 (TTAB 1995).

The district court, referencing the plain language of 15 U.S.C. §1125(d)(1), indicated that a plaintiff must prove the following to succeed on an anticybersquatting claim: 1) it has a valid trademark entitled to protection; 2) its mark is distinctive or famous; 3) the defendant's domain name is identical or confusingly similar to, or in the case of a famous mark, dilutive of, the plaintiff's mark; 4) the defendant used, registered, or trafficked in the domain name 5) with bad faith intent to profit.⁷

Reviewing the findings and conclusions made by the district court, there are at least some issues which were litigated and determined that have a bearing on the likelihood of confusion claim in this opposition proceeding. For example, relying in part on the statutory definition of a "trademark," Trademark Act §45, 15 U.S.C. §1127, the court concluded that plaintiff has a protected trademark in its 4ADODGE mark, even though such mark is

⁷ April 8, 2002 Rpt. & Rec., p. 7.

of any trademark, service mark, brand name, trade name, or other business or commercial designation, in connection with the sale, offering for sale, distribution, advertising, or promotion of any product or service;

- (d) Making representations that Defendants' (*sic*) or Defendants' products or services, are in any way sponsored, approved, authorized, or affiliated with Plaintiff;
- (e) Otherwise infringing on Plaintiff's DODGE or 4ADODGE marks.

The permanent injunction prohibits applicant from using (subsections (b) and (c), *supra*) or registering the mark FORADODGE for any products or services, thus including those services recited in his application. Moreover, in affirming that the "scope of the injunction issued by the district court was entirely appropriate," the circuit court was aware that "... defendant Maydak continued to assert throughout the proceedings that he was entitled to use the "foradodge.com" domain name; he sought to register "foradodge" with the United States Trademark Office; and he registered to himself the "foradodge.us" domain name after this action was filed."¹⁰ *DaimlerChrysler*, 72 USPQ2d 1917. Thus, the district court was aware of the existence of applicant's trademark application pending before the USPTO when

¹⁰ See also Rpt. & Rec., May 23, 2003, p. 9. The district court, in determining that the scope of plaintiff's proposed permanent injunction (which is the permanent injunction the court entered) was not overly broad, stated that "Defendants have repeatedly infringed on plaintiff's "DODGE" and "4ADODGE" marks in their websites, and apparently have no intention of ceasing to do so on their own accord." The court went on to note, "For example, defendant Maydak continues to assert ... that he is entitled to use the foradodge.com domain name, and has registered to himself the foradodge.com domain name." *Id.* at fn. 2.

Opposition No. 91153172

injunction prohibit applicant from using or registering his
FORADODGE mark for any goods or services. Accordingly, judgment
is hereby entered against applicant, registration to applicant is
refused, and the opposition is sustained.

United States Court of Appeals for the Federal Circuit

2007-1432
(Cancellation No. 92/045,050)

NASALOK COATING CORPORATION,

Appellant,

v.

NYLOK CORPORATION,

Appellee.

Erik M. Pelton, Erik M. Pelton, Attorney at Law, of Arlington, Virginia, argued for appellant.

Richard B. Megley, Jr., Niro, Scavone, Haller & Niro, of Chicago, Illinois, argued for appellee. With him on the brief was Thomas G. Scavone,

Appealed from: United States Patent and Trademark Office
Trademark Trial & Appeals Board

BACKGROUND

Both parties in this case are engaged in business related to self-locking fasteners using nylon locking elements. A nylon element, such as a patch or strip of nylon, is applied to the threads of such a fastener, and prevents the fastener from loosening when exposed to vibration, stress, or temperature extremes. Appellant Nasalok, a Korean corporation, applies nylon coatings to self-locking fasteners for use in industrial applications. Although Nasalok does business primarily in Korea and other parts of Asia, its products are purchased by many companies based in the United States, or whose product end users are located in the United States. Appellee Nylok, a U.S. corporation, manufactures and sells a variety of fasteners, including self-locking fasteners. Nylok is the owner of federal trademark Registration No. 2,398,840 ("840 Registration"). The registered mark consists of "a patch of the color blue on a selected number of threads of an externally threaded fastener, with the blue patch extending more than 90 degrees and less than 360 degrees around the circumference of the fastener." '840 Registration. The mark is designated for use on "metal externally threaded fasteners." Id.

On November 18, 2003, Nylok filed a complaint against Nasalok (and four other companies that are not parties in the present case) in the United States District Court for the Northern District of Illinois, alleging infringement of several trademarks, including the '840 Registration. Although properly served with the complaint, Nasalok failed to enter an appearance, and the district court entered a default judgment of trademark infringement in favor of Nylok on May 12, 2005. On May 31, 2005, the district court entered an injunction against Nasalok prohibiting the company from "selling within or

the infringement action and the cancellation petition involved the same parties, that the infringement action had been a final judgment on the merits, and that the cancellation petition "ar[is]e out of the same transactional facts as those present in the civil action," because it was "an attack on the registration that was adjudicated in the prior case." J.A. at 6; see Jet, 223 F.3d at 1362. Nasalok timely appealed. We have jurisdiction pursuant to 28 U.S.C. § 1295(a)(4)(B) (2000).

DISCUSSION

The Board's determination that Nasalok's claims are barred by res judicata, and its grant of summary judgment, are questions of law which we review without deference. See Sharp Kabushiki Kaisha v. Thinksharp, Inc., 448 F.3d 1368, 1370 (Fed. Cir. 2006); Jet, 223 F.3d at 1362.

I

This case involves the doctrine of res judicata, which includes the two related concepts of claim preclusion and issue preclusion. See Restatement (Second) of Judgments, ch. 3, Introductory Note (1982). Claim preclusion refers to "the effect of foreclosing any litigation of matters that never have been litigated, because of a determination that they should have been advanced in an earlier suit." 18 Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, Federal Practice and Procedure § 4402 (2d ed. 2002); see also Nevada v. United States, 463 U.S. 110, 129-30 (1983) (a final judgment is "a finality as to the claim or demand in controversy . . . not only as to every matter which was offered and received to sustain or defeat the claim or demand, but as to any other admissible matter which might have been offered for that purpose" (quoting Cromwell v. County of Sac, 94 U.S. 351, 352 (1877))). Issue preclusion, also called

proceeding were not based on the "same set of factual allegations." Id. at 1363. We found four significant differences between an infringement claim and a petition to cancel: (1) a plaintiff asserting an infringement claim must have a valid registered mark, while a petitioner in a cancellation proceeding need not; (2) infringement requires that the defendant have used the mark in commerce, while cancellation does not; (3) a respondent to a cancellation proceeding must hold a federally registered mark, while an infringement defendant need not; and (4) cancellation, but not infringement, requires inquiry into the registrability of the mark in question. Id. at 1364.

The test used in Jet cannot be used as the exclusive test for preclusion against a defendant in the first action. In such circumstances, the somewhat different rules of "defendant preclusion" apply. See generally Wright, Miller & Cooper § 4414 (discussing rules and application of defendant preclusion). A defendant is precluded only if (1) the claim or defense asserted in the second action was a compulsory counterclaim that the defendant failed to assert in the first action, or (2) the claim or defense represents what is essentially a collateral attack on the first judgment. See Baker v. Gold Seal Liquors, Inc., 417 U.S. 467, 469 n.1 (1974) ("A counterclaim which is compulsory but is not brought is thereafter barred"); Restatement (Second) of Judgments § 18(2) (defenses raised, or which could have been raised, in first action are not precluded in subsequent action, except when used to attack the judgment in the first action); id. § 22(2) (defendant who fails to interpose counterclaim in first action is precluded from maintaining action on the claim if counterclaim was compulsory in first action or if "successful prosecution of the second action would nullify the initial judgment or would impair rights established in the initial action").

trademark invalidity is a compulsory counterclaim to a claim of trademark infringement.³

For several reasons we conclude that it is not.

The subject matter of the plaintiff's infringement claim in the first proceeding and the subject matter of the invalidity claim in the cancellation proceeding do not arise out of the same "transaction or occurrence." Fed. R. Civ. P. 13(a)(1)(A). The Supreme Court has explained the "transaction or occurrence" test in discussing former Equity Rule 30, on which current Rule 13(a) is based. See Fed. R. Civ. P. 13 advisory committee's note 1 ("This is substantially [former] Equity Rule 30 . . . broadened to include legal as well as equitable counterclaims."); Moore v. N.Y. Cotton Exch., 270 U.S. 593 (1926). The plaintiff in Moore had sought permission to receive quotations of cotton prices from the defendant's exchange, and its application had been refused. The plaintiff then brought an antitrust claim against the exchange based on this refusal, and the exchange counterclaimed, asserting that the plaintiff was stealing the quotations and seeking an injunction against continued misappropriation. The district court dismissed the plaintiff's claim, and entered the injunction sought by the defendant. The Supreme Court affirmed the judgment, holding that because the counterclaim was compulsory the district court retained jurisdiction to rule on the counterclaim after the plaintiff's claim was dismissed. The Court noted that the basis of the counterclaim was "one of the links in the chain which constitutes the transaction upon which appellant here bases its cause of action," that the common ground between the claim and

³ The Board's rules of procedure in trademark cases provide that invalidity of a registration pleaded in an opposition or cancellation proceeding is a compulsory counterclaim. See 37 C.F.R. §§ 2.106(b)(2)(i), 2.114(b)(2)(i) (2007). However, these rules of course do not apply to an infringement action brought in a district court.

advertisements in publications distributed in the United States, and the likelihood of confusion of the consuming public as a result of Nasalok's activities. Invalidity of the mark was an affirmative defense that could have been raised, not part of the plaintiff's cause of action. See Packman v. Chi. Tribune Co., 267 F.3d 628, 639 (7th Cir. 2001) (defendant may attack validity of mark by asserting various defenses); 6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 34:5 (4th ed. 1996) (listing defenses to trademark infringement, including "Attack on Validity of U.S. Trademark Registration"); see also 15 U.S.C. § 1115(a) (registration of mark that has not yet become incontestable is prima facie evidence of validity). Nasalok's cancellation petition, by contrast, was based on alleged attributes of Nylok's registered mark that rendered it subject to cancellation, including allegations that the mark was functional and was a phantom mark, and on Nylok's allegedly fraudulent actions in obtaining registration of the mark. In this case, therefore, the "essential facts" alleged by Nylok in its infringement action—related to Nylok's ownership of the mark and Nasalok's allegedly infringing behavior—do not form the basis of the cancellation claim now asserted by Nasalok, which is based on attributes of Nylok's mark and on Nylok's actions in obtaining registration of that mark. The two claims raise different legal and factual issues, will not be supported or refuted by substantially the same evidence, and are not "logically related" in the sense described by the Supreme Court in Moore. Therefore, the claims do not arise out of the same "transaction or occurrence," and the petition to cancel was not a compulsory counterclaim in the infringement action.

See Wright, Miller & Kane § 1410 & n.8. That test is circular, however, and we think it is not a useful way of determining whether a counterclaim is compulsory under Rule 13(a).

patent was valid. Id. at 1367. We reaffirmed that preclusion as to validity applies only "if the accused product in the second suit [is] 'essentially the same' as the specific device that was before the court in the first suit." Id. at 1376.⁵ These patent cases necessarily assume that an invalidity defense is not a compulsory counterclaim, because in each of these cases a counterclaim of invalidity could have been asserted,⁶ and we refused to find general preclusion of the invalidity defense.

Moreover, the policy considerations driving those decisions are equally applicable here. At the time of an infringement suit, it will be difficult to anticipate the new products and future disputes that may later arise between the two parties. A plaintiff who brings an infringement suit as to one allegedly infringing use of a mark would not be precluded from later bringing a second infringement suit as to another use; similarly, a defendant in the first infringement suit should not be precluded from raising invalidity of the mark in the second action simply because it was not raised as a counterclaim in the first action.

Finally, treating challenges to trademark validity as compulsory counterclaims to infringement actions would violate the well-established policy of freely allowing challenges to the validity of claimed intellectual property protection. In Lear, Inc. v. Adkins, 395 U.S. 653 (1969), the Supreme Court repudiated the rule of patent licensee

⁵ However, where the first action results in a consent judgment of patent validity in which the alleged infringer affirmatively agrees not to "directly or indirectly aid, assign, or participate in any action contesting the validity" of the patents, the defendant is precluded from asserting a claim or defense of patent invalidity in a subsequent action, even where the second action involves a new device. Diversey Lever, Inc. v. Ecolab, Inc., 191 F.3d 1350, 1352 (Fed. Cir. 1999).

⁶ In Foster, a counterclaim of invalidity was originally asserted but was dismissed in light of the consent judgment. 947 F.2d at 472 & n.1.

registration should not be treated as compulsory counterclaims to trademark infringement actions.

III

We turn then to the second basis for applying claim preclusion against defendants—where the effect of the later action is to collaterally attack the judgment of the first action. Here, the order entered by the district court in the infringement action enjoined Nasalok from selling or importing into the United States any self-locking fastener with a blue (or similarly colored) nylon locking element, and from promoting or advertising the color blue in connection with its self-locking fasteners. Allowing Nasalok to challenge the validity of the '840 Registration, which grants Nylok rights in the use of "a patch of the color blue on a selected number of threads of an externally threaded fastener," would effectively undo the relief granted by the district court in the infringement action.

Section 18(2) of the Restatement (Second) of Judgments makes clear that a defense that could have been interposed cannot later be used to attack the judgment of the first action. When a former defendant attempts to undermine a previous judgment by asserting in a subsequent action a claim or defense that was or could have been asserted in the earlier case, the rules of defendant preclusion will apply. See also id. § 22(2)(b) (defendant who fails to assert counterclaim in the first action may not later maintain an action on that claim if "successful prosecution of the second action would nullify the initial judgment or would impair rights established in the initial action"). "The clearest need for these rules is shown by cases that have involved a variety of direct attacks on the original judgment based on defenses or claims that could have been

registration in another proceeding between the parties," referring to the infringement suit. Id. at 129.

Nasalok correctly points out that the district court judgment in that suit was based on a determination that Nasalok had infringed "one or more" of the seven federally registered trademarks at issue in the suit, without specifying that Nasalok had infringed the '840 Registration, the only mark challenged by Nasalok's petition to cancel. Nonetheless, the injunction ordered Nasalok to cease use of the color blue on "any self-locking fastener." J.A. at 136 (emphasis added). The cancellation of the '840 Registration would require modification of the injunction to permit the use of the color blue on "externally threaded fastener[s], with the blue patch extending more than 90 degrees and less than 360 degrees around the circumference of the fastener," '840 Registration, since the other six trademarks in question would not cover such a use.⁷ There is no question that success in the cancellation proceeding would negate relief secured by Nylok in the infringement proceeding.

Nasalok also argues that preclusion should not apply because the injunction resulted from a default judgment. We disagree. It is well established that "[a] default judgment can operate as res judicata in appropriate circumstances." Sharp, 448 F.3d at 1371; see also Morris v. Jones, 329 U.S. 545, 550-51 (1947); Riehle v. Margolies, 279

⁷ See Registration No. 2,463,033 ("a strip of the color blue extending perpendicular to . . . threads of an externally threaded fastener"); Registration No. 2,463,031 ("a patch of the color blue on . . . an internally threaded fastener . . . extending less than 160 degrees around the circumference"); Registration No. 2,398,842 ("a patch of the color blue on . . . an externally threaded fastener . . . extending 360 degrees around the circumference"); Registration No. 2,398,841 ("a patch of the color blue on . . . an internally threaded fastener . . . extending more than 160 degrees around the circumference"); Registration No. 2,398,839 ("a pellet of the color blue on . . . an externally threaded fastener").

United States Court of Appeals for the Federal Circuit

2007-1432
(Cancellation No. 92/045,050)

NASALOK COATING CORPORATION,

Appellant,

v.

NYLOK CORPORATION,

Appellee.

Appeal from the United States Patent and Trademark Office, Trademark Trial and Appeal Board.

NEWMAN, Circuit Judge, concurring in the judgment.

I too would affirm the judgment of the Trademark Trial and Appeal Board, but I would do so on the grounds applied by the Board; that is, that Nasalok's claim for cancellation is precluded by the judgment against Nasalok in the United States District Court for the Northern District of Illinois.

The panel majority states that trademark invalidity is not a compulsory counterclaim in a trademark infringement action, and thus that Nasalok's claim for invalidity in the cancellation proceeding is not precluded by Nasalok's failure to assert invalidity in the prior infringement case. Respectfully, that question is irrelevant in this case, for validity of the mark was indeed before the district court in the infringement action. It is noteworthy that the issue of a separate test for defendant preclusion, and the attendant question of whether

that were finally decided in the district court as between the same parties. As the TTAB observed, validity was decided and was not appealed. The generalizations expounded by my colleagues are inapt.

Other aspects of Part II of the court's opinion are also of concern. For example, the panel majority expounds on public policy as justifying applying to trademarks certain policy aspects of the patent case on licensee estoppel, Lear, Inc. v. Adkins, 395 U.S. 653 (1969).

Patent public policy and trademark public policy are not the same. The purpose of trademark law is not the advancement of science and technology, and the purpose of patent law is not to protect reputation and guard against consumer confusion. To state, even in dictum, that Lear favors a trademark system that facilitates attacks on trademark property ignores the differing public purposes of patents and trademarks, as well as misperceives the policy principles of Lear. Further, no aspect comparable to Lear is at issue in this case; the court's discussion is inappropriate dictum. I also observe the misperception of the patent ruling in Foster v. Hallco Manufacturing Co., 947 F.2d 469 (Fed. Cir. 1991), which did not confront the compulsory counterclaim question, and which rejected the notion that the policy concerns of Lear alter the basic applicability of claim preclusion in patent cases. Id. at 477.

In sum, I do not concur in Part II.

In Part III the panel majority holds that because Nasalok's cancellation petition, if granted in the PTO, would collaterally attack and (according to my colleagues' dictum) require vacatur of the district court's judgment of infringement, the petition should be dismissed. I agree that the petition should be dismissed, but on the ground selected by the TTAB, that is, by application of basic claim preclusion doctrine. Although precedent illustrates situations in which various actions have been taken in the Patent and Trademark

